

It is that time of year again when City officials begin discussing the next year's budget. And the budget is important because, quite simply, it influences everything the City does. It determines and prioritizes the services the City provides. It sets parameters on staff and management. And it establishes taxes and fees. The annual process of deciding the next year's budget is a big deal.

Budget Worksheets

Last week, City Finance Director Lisa Novinska distributed a budget calendar to each of the City's department heads. She has also distributed several budgeting worksheets.

The first worksheet covers personnel. It is an opportunity to review anticipated staffing levels or any employee-related changes. But, since most of the City's employees are covered by separate, negotiated contracts, the primary drivers of the wage and benefit numbers are already determined. Wages and benefits comprise over half of the City's operating budget.

The second worksheet is the heart of the budgeting process. It presents the prior year (2010) and current year (2011) budgeted and six-month actual expenses and revenues. The last column for this worksheet is blank, allowing the department head to fill in preliminary estimates for the 2012 budget.

The third worksheet is the capital budget for 2012 through 2016. It looks at the major, capital projects such as vehicles or building and infrastructure improvements. Since these are typically big and expensive undertakings, they are planned several years in advance. They may later be delayed or accelerated, but it is important to get them on the radar screen early. These projects are often financed with some sort of debt; the main premise behind this is that the costs should be spread over a number of years to approximate the useful life of these long-lived assets.

In some past years, we have given the department heads and committees a budget target such as "keep increases to 2%." This year, we are taking a slightly different approach. They have been directed to recognize that it will be a lean budget and to request what they believe necessary. This is not the same as zero-based budgeting, but it is along those lines since it puts greater emphasis on justifying budget requests.

Budget Process

Through July and August, the department heads will review their budget worksheets and discuss them at their appropriate committee meetings. In mid August, the committees will submit their completed worksheets to be compiled into a single budget proposal. At this point, the budget is simply a collection of requests or proposals.

Next Lisa and I will review the compiled, preliminary budget. This is largely a matter of filling in the gaps where parts of the budget may not be represented by a department head or committee. It is also partly a matter of having an extra set of eyes to make sure the submitted reports are not overlooking anything.

After it is compiled, the proposed budget is given to the Finance Committee and the City Council in mid to late September. The City Council will hold a special budget meeting (date to be determined) to allow each of the department heads to present their portion of the budget and the reasons behind their requests. The Council will react to the proposals and have the chance to ask questions for any additional information it may need. But the meeting really will focus more on presentation than debate.

During October, the Finance Committee will review the proposed budget, likely make a number of revisions, and pass its recommendations on to the City Council. The Council may make additional revisions to the budget and will approve a notice for its publication.

A public hearing will be held around November 8. The City Council will then consider, revise, and approve the final budget. The eventual budget solution will need to balance a variety of economic, social, political, and safety factors in determining the City's priorities. The adopted budget will then be published and property taxes levied for payment in the coming year.

Budget Input

The budget process and other fiscal information such as tax rates and past budgets are posted on the city website at www.ci.evansville.wi.gov/city/fiscal/index.html.

A special city email account has been set up to receive budget suggestions from our residents and businesses. Please send your suggestions to budget@ci.evansville.wi.gov. All comments are shared with the City Council and staff; we are listening.

State Budget

The recently adopted State budget impacts the City in a number of ways – some with a policy focus, some with a fiscal focus. Simply looking at the bottom line, financial impact, the State is reducing its funding to the City in three areas: shared revenues, general transportation aid, and the recycling grant program.

The county and municipal aid program, commonly referred to as shared revenues, was cut by \$47.7 million per year. The cuts impact communities differently and are apportioned based on a complicated formula. For Evansville, the cut is about \$50,000 or 11%.

General transportation aid was cut by \$19.6 million for municipalities. It also is formula based. For Evansville, the cut is about \$29,800 or 10%. Under the State budget, the maximum any municipality could be cut was 10%.

The Department of Natural Resources lapsed \$13 million dollars from the 2011 recycling grant program; the State budget then made this a permanent cut going forward. For Evansville, the cut is about \$9,300 in each year or 35%. Since this was not anticipated when we set our 2011 budget, we will have some catching up to do – likely through a one-time dip into the general fund balance. Similarly, brush collection has typically been

included in the City's garbage and recycling expenses, and the storm damage this spring has been a budget buster.

Recognizing the likely cuts to intergovernmental funding, we negotiated employee-paid retirement contributions when we extended the City's union contracts this spring. These retirement contributions are not quite what the State budget would require, but they save the City significant expenses.

However there is a mismatch. The cut revenues are only in the general fund. But the cut expenses include enterprise funds such as water & light and sanitary sewer. These activities are separate from the general fund and do not receive any shared revenues. Balancing this mismatch will be key to constructing the City's 2012 budget.

The State budget also variously changes levy limit, maintenance of effort, and labor laws which will impact the City's budget and operations.

Lean but Doable

Personally, I tend to take a direct and realistic approach. In today's political and economic environment, this does not necessarily equate to being positive. Blunt comments may come across as being pessimistic, but they are not meant to be doom and gloom. Honestly, I am very much optimistic about our 2012 budget. It is quite doable.

I think the city runs a pretty good business. We have in place a number of fiscal policies and procedures designed to limit spending to within our means and to provide stability over time. These policies include budgeting with a focus on revenues, maintaining adequate reserve funds, reviewing variances, implementing user charges, aligning revenues and expenses, and limiting debt. We have discussed responsibly balancing taxes and city services during a time of economic distress.

Attention to its fiscal health has prepared Evansville for a lean but doable budget in 2012.